

## Message Text

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PAGE 01 STATE 286753  
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TO USMISSION GENEVA

UNCLAS STATE 286753

FOR PHELAN

FOLLOWING REPEAT COLOMBO 4676 ACTION BRUSSELS INFO STATE  
BONN COPENHAGEN DUBLIN LONDON LUXEMBOURG PARIS ROME STOCKHOLM  
THE HAGUE NOV 30.

QUOTE UNCLAS COLOMBO 4676

USEEC

E.O. 11652: N/A

TAGS: ETRD, EIND, CE, EEC

SUBJ: PRESS ARTICLE ON SRI LANKA'S TEXTILE NEGOTIATIONS  
WITH EC

REF: COLOMBO 4456

1. THE FOLLOWING HEADLINE ARTICLE ENTITLED "GARMENT EXPORT  
INDUSTRY SAVED: LANKA ENVOY TO SIGN EEC PACT" APPEARED ON THE  
FRONT PAGE OF THENOVEMBER 29 EDITION OF THE CEYLON OBSERVER.

QUOTE:

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2. SRI LANKA'S AMBASSADOR TO THE EUROPEAN ECONOMIC COMMUNITY  
(EEC) MR. TILAK GOONERATNE WILL SIGN AN AGREEMENT IN BRUSSELS  
TOMORROW WHICH WILL ENSURE THE CONTINUING VIABILITY OF THIS  
COUNTRY'S GROWING GARMENT MANUFACTURING INDUSTRY.

3. THE GOVERNMENT TOOK SERIOUS NOTE OF AN EEC DECISION TO  
CUT BACK ON GARMENT IMPORTS INTO THE COMMUNITY IN ORDER TO

PROTECT THE DOMESTIC GARMENT INDUSTRY WHICH COULD NOT COMPETE WITH GARMENT EXPORTS PARTICULARLY FROM ASIA, DUE TO VERY HIGH WAGE RATES PREVAILING IN EUROPE.

4. IN A BID TO PROTECT SRI LANKA'S GARMENT MANUFACTURING INDUSTRY WHICH HAS BEEN GROWING SPECTACULARLY IN RECENT YEARS AND PROMISES TO GROW EVEN BIGGER IN THE NEAR FUTURE, THREE MINISTERS WERE SENT ABROAD TO NEGOTIATE A REASONABLE QUOTA FOR SRI LANKA MADE GARMENTS.

5. THE TRADE MINISTER, MR. LALITH ATHULATHMUDALI, WHO WAS ONE OF THE MINISTERIAL NEGOTIATORS, RETURNED TO THE COUNTRY LAST WEEK. THE FOREIGN MINISTER, MR. A.C.S. HAMEED WHO WAS ALSO ON THE SAME MISSION IS DUE BACK IN COLOMBO TODAY. THE THIRD MINISTER, MR. WIJEPALA MENDIS, MINISTER OF TEXTILE INDUSTRY, IS DUE BACK ON THURSDAY.

6. THERE WAS NO FIRM INDICATION IN COLOMBO TODAY OF WHAT EXACT QUOTA THE EEC WILL ALLOW SRI LANKA'S GARMENT EXPORT QUOTA BUT GOVERNMENTAL CIRCLES WERE REASONABLY SATISFIED ABOUT THE AGREEMENTS ACHIEVED DURING WHAT WAS A MAJOR DIPLOMATIC-COMMERICAL INITIATIVE TAKEN BY THE NEW ADMINISTRATION.

7. HOWEVER, GARMENT MANUFACTURERS ARE BEING TOLD TO SWITCH OVER FROM THE "SENSITIVE" ITEMS SUCH AS BLOUSES AND SHIRTS TO OTHER ITEMS OF WEARING APPAREL ON WHICH THE EEC IS NOT UNCLASSIFIED

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TAKING A HARD LINE.

8. THE EEC DECISION TO CUTBACK ON GARMENT IMPORTS INTO THE COMMUNITY BEGAN TO HARDEN IN JULY THIS YEAR WHEN ITS MULTIFIBRE ARRANGEMENT (MFA) TEXTILE'S COMMITTEE SUCCEEDED IN GETTING THE MAJORITY OF EEC MEMBERS TO ACCEPT A PAPER (JOINTLY DRAFTED BY THE EEC, THE US AND JAPAN) DESIGNED TO SECURE NEW PROTECTIONIST ENDS FOR THE EUROPEAN GARMENT MANUFACTURING INDUSTRIES.

9. THEREAFTER, THE EUROPEAN COMMISSION, WHICH NEGOTIATES ON BEHALF OF THE NINE EEC STATES, INVITED SOME 30 COUNTRIES ELEVEN OF THEM IN ASIA, ASKING EACH OF THEM TO SEND A DELEGATION TO BRUSSELS WITH A MANDATE TO CONCLUDE A BILATERAL AGREEMENT.

10. MR. A.B. ELKADUWA, SECRETARY TO THE MINISTRY OF TEXTILE INDUSTRIES, WAS IN BRUSSELS LAST MONTH IN THIS CONNECTION.

11. INFORMED SOURCES SAID THAT ALTHOUGH MANY INDIVIDUAL EEC COUNTRIES WERE SYMPATHETIC TO THE POSITION THAT SRI LANKA WAS PLACED IN, THEY WERE BOUND BY THE COLLECTIVE DATA DE-

CISION OF THE COMMUNITY.

12. IT WAS AT THIS STATE THAT THE PRIME MINISTER, MR. J.R. JAYEWARDENE, WHO HAD EARLIER BEEN IN TOUCH WITH THE PRIME MINISTER, MR. JAMES CALLAGHAN, ABOUT SRI LANKA'S POSITION ON THE GARMENT QUOTA, DECIDED TO SEND THE THREE-MEMBER MINISTERIAL TEAM TO THE EEC TO LOBBY THIS COUNTRY'S CAUSE.

13. AS GARMENTS CONSTITUTE THE LARGEST SHARE OF SRI LANKA'S MANUFACTURED EXPORTS, AND AS THE FOREIGN INVESTMENT ADVISORY COMMITTEE (FIAC) HAS ALREADY APPROVED MANY NEW GARMENT MANUFACTURING UNITS, AND THE FREE TRADE ZONE PROMISES TO ATTRACT MANY MORE GARMENT MANUFACTURERS TO THE COUNTRY'S SHORES, GETTING A FAIR DEAL FROM THE EEC WAS IMPERATIVE FROM  
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THE POINT OF VIEW OF THE NATIONAL ECONOMY.

14. ALTHOUGH NEITHER GOVERNMENTAL OR BUSINESS CIRCLES ARE ALTOGETHER HAPPY THAT THE EXPORT POTENTIAL IN THE GARMENT SECTOR IS BEING TRIMMED BY EEC QUOTAS, BUSINESSMEN HAVE BEEN ENCOURAGED BY THE POSITIVE SUPPORT THAT WAS FORTHCOMING FROM GOVERNMENT TO FIGHT THIS BATTLE. END QUOTE.

15. ACTION REQUESTED: THIS EMBASSY WOULD APPRECIATE ANY INFORMATION USEC COULD PROVIDE REGARDING THE DETAILS OF THE SRI LANKA-EC TEXTILE AGREEMENT. WRIGGINS UNQUOTE VANCE

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## Message Attributes

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